

**NORTH POINTE SOLID WASTE  
SPECIAL SERVICE DISTRICT**  
(A Component Unit of Utah County)

**BASIC FINANCIAL STATEMENTS and**  
Reports in Accordance with *Government Auditing Standards*  
and the *State of Utah Legal Compliance Audit Guide*

Years Ended December 31, 2006 and 2005

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## INDEPENDENT AUDITOR'S REPORT

Administrative Control Board Chair and Board Members  
North Pointe Solid Waste Special Service District  
Lindon, Utah

We have audited the accompanying statements of net assets of North Pointe Solid Waste Special Service District (the District), a component unit of Utah County, as of December 31, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of North Pointe Solid Waste Special Service District as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Squire & Company, PC*

March 7, 2007

## **NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT (A Component Unit of Utah County) Management's Discussion and Analysis**

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As management of North Pointe Solid Waste Special Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2006 and 2005. We encourage readers to consider the information presented here in conjunction with the financial statements and notes.

### **Financial Highlights**

The assets of the District exceeded its liabilities at December 31, 2006 by \$5,083,617 (net assets). Of this amount \$1,929,826 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers, employees, and creditors.

The District's total net assets increased during 2006 by \$1,067,561. This increase is primarily attributable to increased volume of waste being received by the District. In comparing 2006 activities with those in 2005, tipping fee revenue increased by \$620,757 and landfill fee expense increased by \$489,928. Also during 2006, the District sold its baling equipment and other assets for \$1,645,765 and paid off related debt of \$2,925,930 resulting in a gain of \$134,764.

At December 31, 2005, the District's net assets were \$4,016,056 and its unrestricted net assets were \$2,210,591. In comparing 2005 activities with those in 2004, tipping fee revenue increased by \$98,100 and landfill fee expense decreased by \$174,092. Also during 2005, the District sold capital assets at a gain of \$46,824.

### **Overview of the Financial Statements**

The financial statements consist of three separate statements, which are similar to a private-sector business. The Statements of Net Assets present information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Assets present information showing how the District's net assets changed during the most recent two fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees charged, and earned but unused vacation leave).

The Statements of Cash Flows present the activities of the District on a cash-received and cash-paid basis. This statement shows the sources and uses of cash for the most recent two fiscal years and reconciles the change in the cash accounts for the District for those years.

### **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$5,083,617 at the close of the most recent fiscal year.

The largest portion of the District's net assets (62 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, and machinery and equipment) less any related debt used to acquire

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
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**Management's Discussion and Analysis**

those assets that is still outstanding (e.g., obligations under capital leases). The District uses these capital assets to provide services to participating cities and customers; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets (\$1,929,826) may be used to meet the District's ongoing obligations.

The following tables summarize information presented in the financial statements:

**North Pointe Solid Waste Special Service District's**  
**NET ASSETS**  
December 31, 2006, 2005 and 2004

	2006	2005	2004
Current assets	\$2,379,565	\$2,556,320	\$1,872,442
Capital assets	3,428,094	4,902,545	5,820,689
Total assets	5,807,659	7,458,865	7,693,131
Current liabilities	511,771	763,578	647,090
Long-term liabilities	212,271	2,679,231	2,937,241
Total liabilities	724,042	3,442,809	3,584,331
Net assets invested in capital assets, net of related debt	3,153,791	1,805,465	2,500,668
Unrestricted net assets	1,929,826	2,210,591	1,608,132
Net assets	<u>\$5,083,617</u>	<u>\$4,016,056</u>	<u>\$4,108,800</u>

**North Pointe Solid Waste Special Service District's**  
**CHANGE IN NET ASSETS**  
Years Ended December 31, 2006, 2005 and 2004

	2006	2005	2004
Operating revenues	\$7,047,246	\$6,375,531	\$6,311,357
Operating expenses	6,231,997	5,558,035	5,412,106
Operating income	815,249	817,496	899,251
Nonoperating revenues (expenses)	252,312	(910,240)	(1,562,705)
Change in net assets	1,067,561	(92,744)	(663,454)
Net assets, beginning of year	4,016,056	4,108,800	4,772,254
Net assets, end of year	<u>\$5,083,617</u>	<u>\$4,016,056</u>	<u>\$4,108,800</u>

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT  
(A Component Unit of Utah County)  
Management's Discussion and Analysis**

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In comparing 2006 with 2005, the following items should be noted:

Operating revenues increased by \$671,715 due primarily to an increase in tipping fees of \$620,757.

The District's operating expenses increased by \$673,962. This increase was mostly attributable to an increase in landfill fees of \$489,928.

Net nonoperating revenues and expenses increased by \$1,162,552 primarily due to the fact that the baling equipment was sold and no longer requires a loss to be recorded on impairment.

In 2006, total liabilities decreased by \$2,718,767, due primarily to the disposal of the baling equipment and the related debt.

In comparing 2005 and 2004, the following items should be noted:

Operating revenues increased by \$64,174 due primarily to an increase in tipping fees of \$98,100.

The District's operating expenses increased by \$145,929. This increase was mostly attributable to an increase in landfill fees of \$174,091.

Net nonoperating revenues and expenses increased by \$652,465 due primarily to a reduction in the amount written off due to impairment of baling equipment; the District reported a loss on impairment of baling equipment of \$975,452 in 2005 compared to a loss on impairment of baling equipment of \$1,516,030 in 2004.

In 2005, total liabilities decreased by \$141,522, due primarily to the repayment of obligations under capital lease.

**Capital Asset and Debt Administration**

The District acquired capital assets (new machinery and equipment) totaling \$285,356 and \$385,638 in 2006 and 2005, respectively. The District sold its baling equipment and other assets for \$1,645,765 and paid off related debt of \$2,925,930 resulting in a gain of \$152,074. At the end of 2006 and 2005, the District had total capital-related debt of \$274,303 and \$3,097,080, respectively. All capital-related debt is scheduled to be retired by December 2009. The District also rents certain equipment under long-term operating commitments; operating leases for certain types of equipment have been found to be more economical than purchasing.

**Economic Factors and Next Year's Budgets and Rates**

The District prepared its 2007 budget anticipating a nominal overall increase in tipping fee revenues for the year. The District continues to actively pursue economical, innovative methods of gathering, processing, transporting, and storing waste.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT  
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**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to District Manager, 2000 West 200 South, Lindon, Utah 84042.

## **BASIC FINANCIAL STATEMENTS**



**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**STATEMENTS OF NET ASSETS**  
December 31, 2006 and 2005

	2006	2005
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and investments	\$ 1,836,996	\$ 2,086,657
Accounts receivable, net	514,895	436,508
Other assets	<u>27,674</u>	<u>33,155</u>
Total current assets	2,379,565	2,556,320
<b>Capital Assets:</b>		
Land	1,309,668	1,309,668
Depreciable, net of accumulated depreciation	<u>2,118,426</u>	<u>3,592,877</u>
Net capital assets	<u>3,428,094</u>	<u>4,902,545</u>
Total assets	5,807,659	7,458,865
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Current portion of obligations under capital leases	62,032	417,849
Accounts payable	341,140	250,883
Customer deposits	29,300	29,700
Accrued expenses	<u>79,299</u>	<u>65,146</u>
Total current liabilities	511,771	763,578
<b>Long-term Liabilities:</b>		
Obligations under capital leases, net of current portion	<u>212,271</u>	<u>2,679,231</u>
Total liabilities	724,042	3,442,809
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,153,791	1,805,465
Unrestricted	<u>1,929,826</u>	<u>2,210,591</u>
Total net assets	<u>\$ 5,083,617</u>	<u>\$ 4,016,056</u>

The accompanying notes are an integral part of these basic financial statements.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Years Ended December 31, 2006 and 2005

	2006	2005
<b>Operating Revenues:</b>		
Tipping fees	\$ 6,812,894	\$ 6,192,137
Salvage income	113,978	58,454
Cardboard sales	120,374	124,940
Total operating revenues	7,047,246	6,375,531
<b>Operating Expenses:</b>		
Landfill fees	4,029,602	3,539,674
Personnel	1,190,312	1,089,574
Supplies and maintenance	37,906	31,787
Equipment	437,843	450,376
Services and insurance	236,850	140,639
Cardboard purchases	72,725	65,155
Facilities and utilities	226,759	240,830
Total operating expenses	6,231,997	5,558,035
<b>Operating Income</b>	815,249	817,496
<b>Nonoperating Revenues (Expenses):</b>		
Land leases	9,970	7,670
Interest income	129,158	81,380
Sale of easement	88,700	94,296
Miscellaneous income	18,631	-
Gain on disposal of capital assets	152,074	46,824
Loss on impairment of capital asset	-	(975,452)
Interest expense	(146,221)	(164,958)
Total nonoperating revenues (expenses)	252,312	(910,240)
<b>Change in Net Assets</b>	1,067,561	(92,744)
<b>Net Assets at Beginning of Year</b>	4,016,056	4,108,800
<b>Net Assets at End of Year</b>	<u>\$ 5,083,617</u>	<u>\$ 4,016,056</u>

The accompanying notes are an integral part of these basic financial statements.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2006 and 2005

	2006	2005
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 7,228,656	\$ 6,198,199
Cash paid to suppliers	(4,940,028)	(3,916,327)
Cash paid to employees	(1,176,159)	(1,103,760)
Net cash provided by operating activities	1,112,469	1,178,112
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of capital assets	(136,879)	(214,487)
Principal payments on obligations under capital leases	(1,349,549)	(394,091)
Proceeds from the sale of capital assets	24,060	131,000
Interest paid	(146,221)	(164,958)
Net cash used by capital and related financing activities	(1,608,589)	(642,536)
<b>Cash Flows from Investing Activities:</b>		
Interest received	129,158	81,380
Proceeds from the sale of easement	88,700	94,296
Miscellaneous receipts	18,631	-
Land lease receipts	9,970	7,670
Net cash provided by investing activities	246,459	183,346
<b>Net Change in Cash and Cash Equivalents</b>	<b>(249,661)</b>	<b>718,922</b>
<b>Cash and Cash Equivalents at Beginning</b>	<b>2,086,657</b>	<b>1,367,735</b>
<b>Cash and Cash Equivalents at Ending, displayed as cash and investments on the statements of net assets</b>	<b>\$ 1,836,996</b>	<b>\$ 2,086,657</b>

**Supplemental Information:**

Cash and cash equivalents include amounts in demand deposits and amounts in the Utah Public Treasurers' Investment Fund. A reconciliation of operating income to cash flows from operating activities follows:

Operating income	\$ 815,249	\$ 817,496
Depreciation expense	266,116	244,153
Allowance for doubtful accounts	5,919	-
Decrease (increase) in accounts receivable	(84,306)	36,114
Decrease (Increase) in other assets	5,481	(1,070)
Increase in accounts payable	90,257	66,333
Increase in accrued expenses	14,153	14,186
Increase (decrease) in customer deposits	(400)	900
Cash flows provided by operating activities	\$ 1,112,469	\$ 1,178,112

During 2006 the District sold its baling equipment and as a result retired debt of \$1,800,376. The District also acquired equipment of \$148,477 through a capital lease.

There were no other noncash financing, capital and investing activities for the years ended December 31, 2006 and 2005.

The accompanying notes are an integral part of these basic financial statements.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies**

The accounting policies of North Pointe Solid Waste Special Service District (the District) are in compliance with accounting principles generally accepted in the United States of America that are applicable to local governmental units. The following is a summary of the more significant policies:

The Reporting Entity – The District is organized as a special service district in northern Utah County. The District's purpose is to provide garbage and solid waste disposal services and facilities to or for its members. The District is a component unit of Utah County. In order to comply with a new Utah State law, the District changed its name from Utah County Solid Waste Special Service District to North Pointe Solid Waste Special Service District during the year ended December 31, 2001.

The District accounts for its operations as an enterprise (proprietary-type) fund; activities are financed and operated in a manner similar to private business enterprises where the intent of the Board is that the costs (expenses, including depreciation) of providing goods or services to members and the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting – The financial statements are maintained on the accrual basis of accounting; revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the basic financial statements unless they conflict with guidance of the Governmental Accounting Standards Board. The District also has the option of following subsequent private-sector guidance, subject to the same limitation. The District has elected to follow subsequent private-sector guidance.

The District distinguishes operating revenues and expenses from nonoperating items by whether or not transactions are in connection with the District's purpose of providing garbage and solid waste disposal services and facilities to or for its members.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Allowance for Doubtful Accounts – An allowance for doubtful accounts of \$5,919 and \$0 has been established at December 31, 2006 and 2005, respectively.

Customer Deposits – Refundable deposits received from customers are recorded as liabilities until returned or applied to customer accounts.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT  
(A Component Unit of Utah County)  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Capital Assets – Capital assets are recorded at cost. Upon the sale or retirement of capital assets, the related asset costs and accumulated depreciation are removed from the applicable accounts and gain or loss on disposal is recorded. Capital assets, except land and baling equipment, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	20 to 25 years
Machinery and equipment	2 to 10 years

Baling equipment is depreciated using the units of production method. Depreciation is calculated using the percentage of total bales produced during the year to total anticipated bale production over the equipment's life multiplied by the capitalized cost of the asset. At December 31, 2005 the baling equipment was categorized as held for sale and, therefore, no longer being depreciated. The baling equipment was sold during 2006.

Compensated Absences – Employees are granted vacation and sick leave in amounts varying with tenure. In the event of termination or death, an employee is reimbursed for accumulated vacation days. Employees are also reimbursed for 50% of the earned but unused sick leave for the current fiscal year. At December 31, 2006 and 2005, unpaid compensated absences totaled \$19,861 and \$21,210, respectively.

**Note 2. Deposits and Investments**

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Title 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository" defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act authorizes the District to invest in certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, certain corporate bonds, State of Utah and local government obligations, and restricted mutual funds as defined by the Act and to invest in the Utah Public Treasurers' Investment Fund (PTIF). The PTIF is not registered with the Securities and Exchange Commission as an investment company and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The operating income, gains, and losses of the PTIF are allocated to each participant based upon each participant's average daily balance.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 2. Deposits and Investments (Continued)**

Deposits – At December 31, 2006, the District's carrying amount of bank deposits is \$130,811, and the bank balance is \$153,027 (\$100,000 of which is covered by federal depository insurance). No deposits are collateralized, nor is it required by state statute.

*Custodial Credit Risk* – For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Utah Money Management Act.

Investments – At December 31, 2006, the District had a balance of \$1,706,185 in the PTIF. The investment is unrated and has an average maturity of less than one year.

*Credit Risk* – Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Utah Money Management Act.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy is to follow the Utah Money Management Act and to invest mainly in the PTIF. The District's investment policy does not limit the amount that can be held by counterparties.

Following is a summary of deposits and investments at December 31, 2006 and 2005 as reported on the statements of net assets:

	<u>2006</u>	<u>2005</u>
Carrying amount of deposits	\$ 130,811	\$ 64,690
Carrying amount of investments	<u>1,706,185</u>	<u>2,021,967</u>
Total cash and investments	<u><u>\$1,836,996</u></u>	<u><u>\$2,086,657</u></u>

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**Note 3. Capital Assets**

Capital asset activity for the year ended December 31, 2006, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,309,668	\$ -	\$ -	\$ 1,309,668
Capital assets, being depreciated:				
Buildings and improvements	3,554,988	136,880	-	3,691,868
Baling equipment	1,532,074	-	(1,532,074)	-
Machinery and equipment	1,203,056	148,476	(140,288)	1,211,244
Total capital assets, being depreciated	6,290,118	285,356	(1,672,362)	4,903,112
Accumulated depreciation for:				
Buildings and improvements	(1,961,424)	(160,576)	-	(2,122,000)
Baling equipment	(45,074)	-	45,074	-
Machinery and equipment	(690,743)	(105,540)	133,597	(662,686)
Total accumulated depreciation	(2,697,241)	(266,116)	178,671	(2,784,686)
Total capital assets, being depreciated, net	3,592,877	19,240	(1,493,691)	2,118,426
Capital assets, net	<u>\$ 4,902,545</u>	<u>\$ 19,240</u>	<u>\$ (1,493,691)</u>	<u>\$ 3,428,094</u>

**Note 4. Obligations Under Capital Leases**

Long-term liability activity for the year ended December 31, 2006, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital leases	<u>\$ 3,097,080</u>	<u>\$ 148,477</u>	<u>\$ 2,971,254</u>	<u>\$ 274,303</u>	<u>\$ 62,032</u>

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 4. Obligations Under Capital Leases (Continued)**

Capital leases at December 31, 2006, consist of the following:

Lease payable to a credit corporation in monthly payments of \$3,473, including interest of 4.85%, \$171,150 original balance, secured by loader, ending January 2009 with a payment of \$67,073. \$ 139,721

Lease payable to a credit corporation in monthly payments of \$2,901, including interest of 4.92%, \$148,477 original balance, secured by trackhoe, ending August 2009 with a payment of \$60,000. 134,582  
\$ 274,303

Total equipment under capital leases as of December 31, 2006, has a cost of \$350,327 and accumulated amortization of \$26,372. Amortization of the equipment is included in depreciation expense.

Future minimum lease payments under the capital leases at December 31, 2006, are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Obligation</u>
2007	\$ 62,032	\$ 11,555	\$ 73,587
2008	67,586	8,902	76,488
2009	144,685	2,694	147,379
	<u>\$ 274,303</u>	<u>\$ 23,151</u>	<u>\$ 297,454</u>

**Note 5. Operating Leases**

During the year ended December 31, 2006, the District negotiated a non-cancelable operating lease for a large piece of equipment. Lease payments for the years ended December 31, 2006 and 2005, totaled \$30,732 and \$84,465, respectively. Future minimum lease payments for these leases will total \$30,712 for the year ending December 31, 2007.



**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 6. Retirement Plans**

The District contributes to the Local Government Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Government Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

In the Local Government Noncontributory Retirement System, the District is required to contribute 11.09% for the period from January 2006 to June 2006 and 11.59% for the period from July 2006 to December 2006 of annual covered salaries. The District contribution rates are the actuarially determined rates. The contribution requirements of the System are authorized by statute and specified by the Utah State Retirement Board.

The following is a summary of the required contribution rates, participating employees, covered salaries, and District contributions for the years ended December 31, 2006, 2005, and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Required contribution rates:</u>			
Paid by employer	11.59%	11.09%	11.09%
Paid by employee	-	-	-
Total	<u>11.59%</u>	<u>11.09%</u>	<u>11.09%</u>
District contributions	<u>\$ 82,783</u>	<u>\$ 77,065</u>	<u>\$ 70,818</u>
Salary subject to retirement contribution	<u>\$ 728,462</u>	<u>\$ 694,909</u>	<u>\$ 684,563</u>

Deferred Compensation Plans - The District participates in a deferred compensation plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the Local Government Noncontributory System have a contribution automatically made by the District.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT  
(A Component Unit of Utah County)  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 6. Retirement Plans (Continued)**

During the years ended December 31, 2006, 2005, and 2004, District contributions totaled \$20,762, \$19,352, and \$19,106, respectively. Employees can make additional contributions. These employee contributions totaled \$23,263, \$23,318, and \$28,201, respectively, for the same periods. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are held by the Utah Retirement Systems.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$10,335, \$10,768, and \$1,456 for the years ended December 31, 2006, 2005, and 2004, respectively. The assets of the plan are administered and held by the Utah Retirement Systems.

Sick Leave Benefit - The District allows any full or part-time employee, who retires from the District before age 65, with a minimum of ten years of service and participates in the State Retirement System, to use accumulated hours in their sick bank account to pay continued health insurance premiums. The hours are converted to a cash value based on the retired employee's pay rate at retirement. The benefit continues until the cash amount has been expended or the retiree reaches age 65. The District recognizes the liability and expense in the year in which the employee retires. The expense for the year ended December 31, 2006 is \$17,802 with the entire amount being payable at December 31, 2006.

**Note 7. Risk Management**

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$5,000,000 per occurrence through policies administered by a third party. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the third party. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. Settled claims have not exceeded the District's insurance coverage for any of the past three years.

Other insurance that the District has obtained includes a treasurer's bond and health and long-term disability coverage for employees. Regarding workers' compensation claims, the District is self-insured on small claims and has obtained coverage for large claims through the state workers' compensation fund. As of December 31, 2006, the liability for incurred workers' compensation claims is insignificant; no liability has been recorded.

**NORTH POINTE SOLID WASTE SPECIAL SERVICE DISTRICT**  
**(A Component Unit of Utah County)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Note 8. Environmental Remediation Liability**

The nature of the District's operations is such that the District may be held liable for environmental clean-up costs. The District is unaware of any such issues and has taken several expensive measures to prevent future environmental problems caused by its operations. The costs of potential remediation are not estimable since no knowledge of environmental problems currently exists. Therefore, no liability has been accrued.

**Note 9. Baling Equipment**

In 2004 an impairment loss was recorded of \$1,516,030 due to taking the baling equipment out of service and making it available for sale. The impairment loss included potential costs of a sale as well as potential costs to transport the equipment to a new location. In 2005 an additional impairment loss of \$975,452 was recorded to reflect the current market value of the asset if it were sold. The baling equipment was sold in 2006 for \$1,645,765 and related debt of \$2,925,930 was paid off. The District recorded a gain of \$134,764 on the sale of the equipment.

**REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
AND THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

Year Ended December 31, 2006

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Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Administrative Control Board Chair and Board Members  
North Pointe Solid Waste Special Service District  
Lindon, Utah

We have audited the basic financial statements of North Pointe Solid Waste Special Service District (the District) as of and for the year ended December 31, 2006, and have issued our report thereon dated March 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered North Pointe Solid Waste Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Pointe Solid Waste Special Service District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the government's financial statements that is more than inconsequential will not be prevented or detected by the government's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the government's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Pointe Solid Waste Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matter that we reported to management of North Pointe Solid Waste Special Service District in a separate letter dated March 7, 2007.

This report is intended solely for the information and use of the Board, management, and government agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Aguirre & Company, P.C.*

March 7, 2007

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## Independent Auditor's Report on Legal Compliance in Accordance with the *State of Utah Legal Compliance Audit Guide*

Administrative Control Board Chair and Board Members  
North Pointe Solid Waste Special Service District  
Lindon, Utah

We have audited the basic financial statements of North Pointe Solid Waste Special Service District as of and for the year ended December 31, 2006, and have issued our report thereon dated March 7, 2007. The District did not receive any state assistance grants from the State of Utah during the year ended December 31, 2006.

Our audit included test work on the District's compliance with the general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Cash Management  
Budgetary Compliance  
Special Districts

Purchasing Requirements  
Other General Compliance Issues

Management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed certain immaterial instances of noncompliance with the requirements referred to above, which are described in our letter dated March 7, 2007.

In our opinion, North Pointe Solid Waste Special Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

*Squire & Company, PC*

March 7, 2007

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## Letter to Management

Administrative Control Board Chair and Board Members  
North Pointe Solid Waste Special Service District  
Lindon, Utah

In planning and performing our audit of the basic financial statements of North Pointe Solid Waste Special Service District for the year ended December 31, 2006, we considered the District's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit we became aware of the following matters. This letter does not affect our report dated March 7, 2007, on the basic financial statements of North Pointe Solid Waste Special Service District.

**Sick Leave Benefit** – During the year ended December 31, 2006, the District had an employee retire who was eligible for the retiree sick leave benefit offered by the District. This resulted in the recognition of a liability of \$17,802 for the retiree. We recommend the District evaluate the potential impact for future retirees who may become eligible for the benefit and ensure that adequate resources are available to meet these potential obligations as they come due.

**Fidelity Bond** – Every public treasurer shall secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. At December 31, 2006, the District did not have adequate coverage on their fidelity bond. We recommend that the District maintain an adequate amount on their fidelity bond.

**Management's Response** - We appreciate the comments received. We will review these matters and make adjustments as needed.

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We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with District personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations. We appreciate the assistance of District personnel in our audit and note their care for the financial records of the District.

Sincerely,

*Squire & Company, PC*

March 7, 2007